

THE HIDDEN ENEMY OF PERFORMANCE AND PROFIT!

Cristina Da Costa - CDC Consulting Partners

Let me tell you a story. It's about a coffee seller that sells coffee and donuts from his cart in one of the streets of New York, Manhattan. People love his coffee and love his donuts but he was taking too long to serve them, there was always such a long line, and people were starting to leave the line without buying anything. So he decided to change his process.

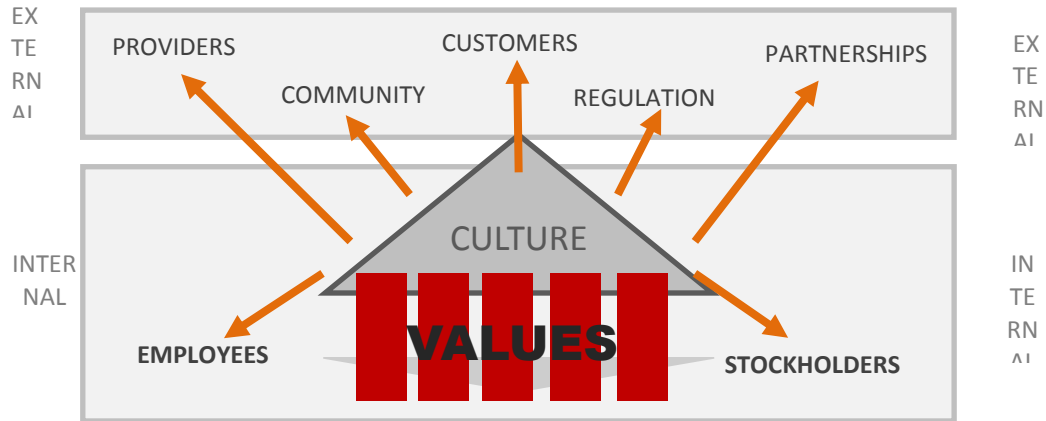
He put a box of money on the side of his cart that said *"while you are in the line please pay for your coffee and donuts and then let me know what you paid for, and I'll give it to you"*... imagine putting a box of money in the streets of NY!

2 things happened: ONE – he realized he was able to double the people he served within the same amount of time and...TWO - Many people would just leave the change when paying for their coffee, so he actually started making more money!

...Here is a man that made a business decision based on a **VALUE**... and the VALUE was **TRUST!** We can see that he trusted his customers and that they both appreciate and return that feeling of Trust... Customers' trust is one of the most valuable assets to a company but also one of the most difficult things to achieve. You can't just use marketing and say to the customers TRUST ME! And they will ... it might work for a little while ... but Trust is something that needs to be earned!

Now, let's bring the story of this coffee seller to a more complex market, the market where we all operate from.

Competitive Advantage: “Who you are and what you stand for”



Companies that operate from a good and positive set of *Values*, just like our coffee seller, care about making good money and making the stockholders happy but while doing that they take good care of their employees, they focus on meeting their basic needs and satisfying their growth needs, they focus on helping their employees feel happy and fulfilled.

Companies that operate from a good and positive set of *Values* while negotiating with their suppliers and partners, adopt a *win-win* attitude making all parties satisfied, and this enables them to gain the trust and the commitment of their partners and suppliers for a very long period of time, creating a strong image of trustworthy in the marketplace... and we all know that we only make business with whom we like and trust.

Companies that operate from a good and positive set of *Values* are committed to adjust to regulations and regulators’ demands, making a big effort in being compliant with all they need in their field of operation.

Companies that operate from a good and positive set of *Values* give back to the communities they are present in, they are committed to corporate responsibility and aware of environment impacts.

Today, leaders all around the world are discovering that ethics and *Values* are, in fact, good for business. The recent global financial push backs we all assisted and are continuing to suffer from made consumers want to know different things about who they are buying from. “*Who you are and what you stand for*” have become just as important as the quality of goods and services you sell.

Companies that operate from a good and positive set of *Values* are therefore building a culture that supports the business sustainability and growth.

If you ask – What is culture exactly? - Culture is really defined by the *Values* companies are operating from and the way they are perceived by others while doing whatever they do. The way they show-up in their markets, in their communities and when dealing with their people, of course.

Many executives today still relate Culture to giving more and more to the employees and for that matter, making less profit. When I speak of Culture with some of these people and it really doesn't matter if they have 25 employees or 25.000, they all agree they need to have a good Culture but whatever has to be done in their own company to get there, seems like an overwhelming process to engage in, something that would take a long time to be accomplished and to bring results.

But whichever way you look at it, Companies are people working together with their individual beliefs, expectations, attitudes, values and while doing that, they are creating a culture, whether it serves the business or not. Culture exists underneath the strategies, the norms, the processes and the systems. It is like a living organism, with a unique DNA. It is the way the company is relating to its people, to its customers, to its partners, to the communities. It is the way employees are interacting with each other, resulting so many times, as we all well know, in poor and unproductive work, stress, conflict, high employee turnover, endless meetings that get nowhere. We call all this **Cultural Entropy**.

Leaders know that these problems impact greatly performance and profit, but unfortunately most organizations operate with a “default culture” - their culture is not managed, their culture is not monitored. Their culture is simply recognized as the way things are done around here”.

It is really time to start paying closer attention to the culture in the company because it can make the difference between surviving and thriving.

So, having engaged employees is a natural result of having a good culture and this is even more critical when hiring and managing millennials. Once you start being *Values-Driven* in your business - that will certainly change your Culture.

There is a very important piece to this. The role the Leader plays in the Culture. Who you are as a Leader – the Values you embrace and the beliefs you hold – are automatically transmitted to the group you are responsible for through your words, behaviors and actions. What you stand for and the needs/values that drive your decision-making influence strongly the culture of your company, of your department or your team. If you are committed to the success of your company then you also need to be committed to your own personal mastery and development.

An example of this is when I was asked about the accident involving Union Pacific and Southern Pacific, the 2 major railroad transportation companies in the US and the FRA blaming the incident in part on corporate culture differences between these 2 companies and if culture could be a reason for accidents. My answer, based on a dissertation produced by a college graduate at the University of Oklahoma about what happened, is that these 2 companies were operating from 2 different sets of values – while one of the companies had a role – oriented culture, where the employees in the field often made immediate decisions to get the work done and management respected those decisions because they respected their crew’s experience and job savvy... the other company operated from a micro-managing and power - oriented culture, giving no space to employees to use their talent or skills, these people would not make a move without being authorized because of management intimidation. So, you get people from these 2 different cultures to operate together without addressing these differences and of course the result is a big and costly problem because the values they are operating from, are not compatible.

More than 60% of mergers and acquisitions fail due to a lack of attention to cultural integration issues. Companies buy or merge with other companies every day and these transactions don’t consider the impacts of 2 different cultures getting together, different sets of values that can be incompatible. I am not saying these transactions shouldn’t happen, of course they should. What I’m saying is that evaluating the compatibility in terms of culture helps leaders anticipate and plan for cultural issues that can arise after the transaction and it also allows to integrate teams and departments more easily by understanding the strengths of each group, as well as the obstacles that may arise. It also helps to identifying where groups can learn from each other. It is like doing a Cultural Due Diligence as you would do for Financial Due Diligence.

I talked a little while ago about cultural entropy. **Cultural Entropy** is the amount of unproductive or unnecessary. It is the percentage of fear, dysfunction, negative and destructive energy spent in the company’s day-to-day life. **Cultural entropy** is a hidden or an invisible enemy in the company. It is the measure of the company’s dysfunction doing whatever it does.

How do we measure that? By adding up the negative or like we say the potentially limiting values that show up when assessing all the people’s values in the company. In a very practical way, say your company shows 25% of cultural entropy. If you are paying your people 4 weeks per month, with 25% of cultural entropy, is like getting only 3 weeks of work out of 4 weeks of payment.

From the experience using CTT tools mapping values to measure Culture and measuring Cultural Entropy in Organizations all over the world in different industries and sizes for 17 years now, it is possible to affirm that companies with high level of Cultural Entropy are not doing financially well as compare to other similar sized companies in the same markets.

Cultural Entropy	Impact
<10%	Prime: This is a low and healthy level of cultural entropy.
11-20%	Minor Issues: This level of cultural entropy reflects issues requiring cultural or structural adjustment.
21-30%	Significant Issues: This level of cultural entropy reflects significant issues requiring cultural and structural transformation and leadership coaching.
31-40%	Serious Issues: This level of entropy reflects serious problems requiring cultural and structural transformation, leadership development and coaching.
41%+	Critical Issues: This level of cultural entropy reflects critical problems requiring cultural and structural transformation, selective changes in leadership, leadership development and coaching.

When we find a Level of Cultural Entropy in a company of 10% or less, keep doing what you are doing! You have a healthy culture and you are doing financially well, for sure. Now when we see 31-40%, there are serious issues. The company needs to do cultural and structural transformation, leadership development and leadership coaching. With +41% there are critical issues, the company is in a crisis and in danger of failure. Needs cultural and structural transformation, selective

changes in leadership, leadership development and leadership coaching.

We would recommend any company to do a diagnostic on their Culture. Bring technology and data in, and see the positive values and the potentially limiting values the company is operating from and measure the level of Cultural Entropy it is suffering, if any. From there it is possible to make clearer and more sustainable decisions to re-define strategies, adjust processes and norms and develop their people to meet the company's goals.

If a company is interested in seeing what these tools can do for their Culture and what is their level of cultural entropy. We would be more than happy to go in for a complementary diagnostic session and maybe even bring data on how culture is being mapped for their specific industry.



**We make the intangible, tangible.
 We link culture to performance.**

Cristina Da Costa
 Senior Managing Consultant
 Cell: 1-404-528-9792
 e-mail: cristina@corporateauthenticity.net
www.corporateauthenticity.net

As a CTT Certified Consultant, I use the tools and resources from Barrett Values Centre (UK) to support my clients in their leadership and cultural transformation. The tools define an actionable road map that becomes an integral part of a leader's personal development plan and the company's business strategy.

The tools have been used to measure the values of over 6,000 organizations and 3,000 leaders in 80 countries. They help foster the transformation of corporations, NGOs, government and municipal agencies, communities, schools, and nations. The CTT values assessment instruments are available in over 50 languages.

Organizations, teams, schools, nations, and communities function better when leaders are focused on building values-driven cultures that benefit people and society. *"When you measure your culture, you can manage it."*

